



Glossary of Terms

The list below is a compilation of terms generally used in the insurance industry. This document is informational only and does not constitute coverage. Please read your policy or talk to your insurance professional for information that pertains to your policy and coverage specifically.

ACV (Actual Cash Value)

The value of the property; based on the current cost to replace it, minus depreciation.

Additional Premium

An additional amount of premium owed to an insurance provider in order to extend coverage for making endorsements to the policy after the inception date.

Adjuster

A person who investigates and settles insurance claims.

Agent

A person who sells and services insurance policies.

Application

A form that a potential insured fills out based on information about themselves. An insurance company uses this document in order to decide whether or not to issue a policy, and how much to charge.

Appraiser

A person who assesses damages, in order to determine the monetary value of a loss during the claim process.

Binder

A temporary insurance contract that provides proof of coverage until you receive a permanent policy.

Bodily Injury (BI)

Physical injury to a person. BI coverage protects an insured against financial loss (including the cost of a legal defense if insured is sued as a result of an accident covered under insurance policy). This coverage pays for medical treatment, rehabilitation, funeral costs, and settlements for non-monetary losses (like pain and suffering) incurred by another driver, his or her passengers, passengers in your car, and pedestrians. BI coverage does NOT pay for any medical expenses, loss of income, or pain and suffering for the insured driver!

**Business Use**

Vehicles that are used for or in business. Each individual policy is subject to specific limitations set by the insurance carrier.

Cancellation

Termination of an insurance policy by election of the company or insured prior to the scheduled renewal date.

Claim

A formal demand to be reimbursed for losses covered by your insurance policy.

Claimant

A person who makes an insurance claim.

Collision Coverage

Pays for damage to your car without regard to who caused the accident. The company must pay for the repair or up to the actual cash value of the vehicle, minus the deductible.

Commercial Use

Commercial use provides coverage for a vehicle when it does not qualify for a personal auto policy. Need for a commercial policy could include things such as transporting goods, materials, and or employees as well as the type of vehicle, gross vehicle weight, or specific equipment permanently attached.

Comprehensive Coverage/ Other than Collision

Pays for damage to or loss of the vehicle from causes other than collision. These include but are not limited to hail, vandalism, flood, fire, and theft.

Custom Equipment

Additional equipment installed in or on the vehicle that is not factory issued. This includes things like custom paint jobs, rims, stereo equipment, etc.. This equipment is covered only when a complete inspection (including photos of each item to be covered), receipts, and additional premium is paid.

Declarations Page

This is the page within a policy that shows the name and address of the insured, the period of time a policy is in force, a description of the property insured, the amount of the premium (including all applicable fees), and the amount of coverage provided.

Deductible

The amount an insured is responsible to pay at the time of a loss before any payment is due from the company.

Depreciation

A decrease in the value of property over time due to use or wear and tear.

**Discount**

A deduction applied to a policy for actions or items that lower a risk. This includes multi-car, prior coverage, homeownership, and renewal. All discounts must meet any burden of proof requirements stipulated by the carrier.

Excluded Driver

A listed person who has been excluded from the policy and therefore has no coverage provided by the policy for their actions.

Exclusion

A provision in an insurance policy that denies coverage for certain perils, people, property or locations.

Expiration Date

This is a specific date and time of when coverage ceases on a policy that has NOT been cancelled or non-renewed.

Homeowner Policy

A homeowner policy bundles different insurance coverage, providing a broad range of personal property, dwelling, and liability protection for homeowners and renters. It's called a package policy because it covers both losses to your own property and damage done to others.

Inception Date

The date and time that a policy becomes effective.

Included Driver

This is a driver who is specifically named as included in the coverage of a policy.

Inspection

Examining a vehicle for existing damage. The inspection form requires listed details on the vehicle such as the color, plate number, inspection sticker expiration, and the current mileage.

Lapse

Interruption of coverage due to non-payment of premium.

Liability

Any legally enforceable obligation- liability insurance covers you for money you are legally obligated to pay because you were responsible for injuries to another person's property or physical being, up to the policies limits.



Liability Limits

The maximum amount your liability policy will pay. If you drive in Texas, the law requires minimum coverage of \$30,000 per person for bodily injury up to a maximum of \$60,000 for bodily injury per accident, and \$25,000 for property damage. This basic coverage is called 30/60/25, however, basic coverage might not be enough if you are held liable for an accident. Higher limits are available to be purchased at the policy holder's discretion.

Loss

The amount an insurance company pays on a claim.

Medical Payments / Personal Injury Protection (PIP)

Both pay limited medical and funeral expenses if you, a family member, or a passenger in your car is injured or killed in a motor vehicle accident. PIP also pays a percentage of lost-income benefits.

Motor Vehicle Record (MVR)

This is a "history" of an individual's driving record that shows any violations and accidents in the past 3-5 years.

Non-owners Policy

Insurance that offers liability coverage to a named insured who does not own a vehicle. A Non-owners policy is a secondary form of coverage if the vehicle you are driving has insurance. In order to be eligible for a Non-owners policy, the insured can not have a vehicle titled in their name or be excluded from the policy of the vehicle they are driving.

Notice of Cancellation

This is a notice that shows the effective date of a cancellation. It is required by law that this notice be issued and mailed a minimum of 10 days before cancellation is to take effect.

Policy

A policy is a contract that sets forth the rights and obligations of both a policyholder and an insurance company. The policyholder pays a premium, and in exchange the insurance company promises to pay for losses covered in the policy provisions.

Policy Period

The period a policy is in force, from the beginning or effective date, to the end expiration date.

Premium

The amount owed by an insured to an insurance company to obtain or maintain an insurance policy.

**Property Damage (PD)**

Physical damage to property.

Quote

This is an estimate of the policy premium to be charged for a potential risk.

Reinstatement

This voids, or nullifies, a cancellation that was issued.

Renewal

This is an offer that is made by an insurance carrier to extend coverage for another policy period. Depending on the type of policy issued, renewals are offered on a monthly, semi-annual, or annual basis.

Rental Reimbursement

Pays a set daily amount for a rental car if your car is inoperable due to it being repaired because of damage covered by your auto policy.

Replacement Cost

Insurance coverage that pays the dollar amount needed to replace the damaged property without deducting for depreciation. This amount is limited by the policy's maximum coverage amount and is minus the deductible.

SR22

This is a form requested by the state to show financial responsibility for persons who are required to carry one. The Department of Public Safety sets the amount of time this form is necessary. If policy cancels for any reason, an SR26 is filed with DPS, which cancels the SR22 status.

Surplus Lines

Coverage from out-of-state companies not licensed in Texas but legally eligible to sell insurance on a "surplus lines" basis. Surplus lines companies generally charge more than licensed companies and often offer less coverage.

Titled owner

This is the person who owns the vehicle – only the titled owner has insurable interest in the vehicle, and is therefore the only person that can obtain insurance for that vehicle.

Towing and Labor Coverage

This coverage pays towing charges when your car is inoperable. This coverage may also pay labor charges, such as changing a tire at the location where your car became immobile. Coverage is normally on a reimbursement basis and subject to the coverage amount selected.



Underwriter

The person who reviews an application for insurance and decides if the applicant is acceptable and at what rate of premium.

Underwriting

The process an insurance company uses to decide whether to accept or reject an application for a policy.

Uninsured/Underinsured Motorist Coverage

Pays for your injuries and property damage caused by a hit-and-run driver or a motorist without liability insurance. It will also pay when your medical and car repair bills are higher than the other driver's liability coverage, up to policies limits.